Strate Limited

Annual Report

for the year ended 31 December 2008

Strate Limited

Annual Report

for the year ended 31 December 2008

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Strate Limited

Our Vision, Purpose and Objectives

Vision

- We are the leading independent South African provider of innovative post trade products and services;
- We are globally recognised for the confidence we inspire in our financial markets infrastructure.

Purpose

Strate's purpose is to provide clearing, settlement and depository services for securities, enabling end-to-end pragmatic, reliable, innovative solutions that facilitate the management of risk and the realisation of value for all stakeholders.

Objectives

Strate's objectives, listed in order of priority, are as follows:

1. To ensure operational excellence and the effective management of enterprise risk;
2. To be profitable and sustainable;
3. To be customer centric;
4. To drive global best practices and develop value added opportunities;
5. To be a learning organization , satisfying personal aspirations and enabling; continuous growth; and
6. To fulfill regulatory and supervisory obligations.

Our Values

1. Integrity
2. Reliability
3. Passion
4. Dynamic Innovation
5. Accountability
6. Teamwork

Strate Limited

Milestones - 2008

January	Strate announces that it will not be increasing its fees to the market, the fourth year in a row.
February	Strate revises and updates its Chinese Walls Manual to distinguish between Strate as a CSD and Strate as a self-regulatory organisation.
March	Strate releases Annual Financial Statements and declares a profit of R82,3 million.
April	Strate's Disaster Recovery Site is successfully relocated to new premises.
May	Strate earns top international risk rating by Thomas Murray.
June	A critical fees study is commissioned to conduct a fees comparison between Strate and other CSDs globally. The results show that Strate's fees are reasonable.
July	Strate successfully implements SAFIRES IT Release 2.8.1 which includes significant upgrades to the application.
August	Strate revises its strategic objectives with a vision of being the leading independent South African provider of innovative post trade products and services and being globally recognised for the confidence it inspires in our financial markets infrastructure.
September	Strate announces a 25% reduction in fees for specific off-market transactions.
	Strate hosts an international Road Show in London.
October	Strate finished 2nd in the Financial Sector category in the Deloitte Best Company to Work For competition.
	Strate successfully hosts the Africa and Middle East Depositories Association Conference ("AMEDA") at Sun City.
November	Strate celebrates its 10th year as South Africa's Central Securities Depository.
	Strate's Money Market code migrates to production and the first money market security is piloted by Strate with First National Bank and Rand Merchant Bank.
	Strate Charity Shares donates R240 000 to four selected charities, bringing its total donations since inception to R1 million.
	Strate successfully implements the SWIFT 2008 changes.
December	Strate announces that it will not be increasing its fees to the market in 2009, for the fifth year in a row.

Strate Limited

Chief Executive Officer and Chairman's Report

Business review

Company's 10 year celebration

Strate celebrated its 10th birthday on 9 November 2008.

Given the history of the company and the various challenges that Strate and the market had to deal with over the decade, this was a very special celebration.

Strate wants to extend its gratitude to everybody that assisted in making Strate such a wonderful company which all of us are very proud of being associated with.

Operating results

Five year summary

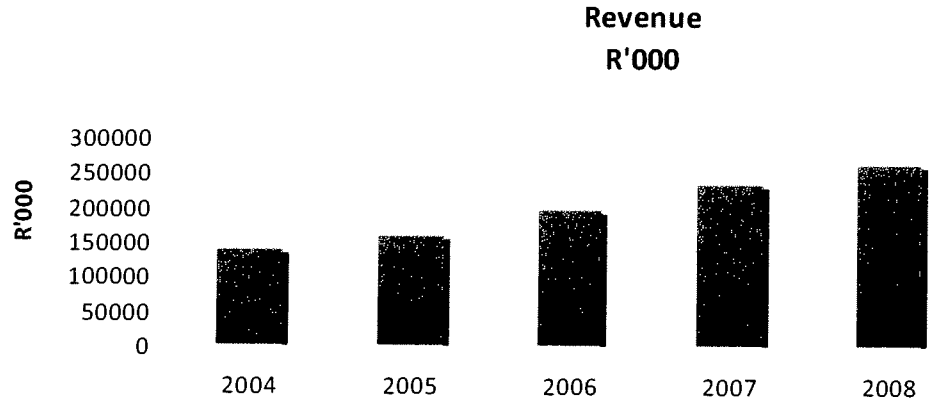
	2004 R'000	2005 R'000	2006 R'000	2007 R'000	2008 R'000
Revenue	137,222	156,813	195,859	234,313	259,698
Other income	-	1,050	1,231	2,291	1 604
Expenditure	(111,282)	(79,135)	(112,795)	(128,579)	(158,830)
Profit from operations	25,940	78,728	84,295	108,025	102,472
Net finance income/(cost)	(748)	4,872	9,830	10,197	10,586
Profit before tax	25,192	83,600	94,125	118,222	113,058
Taxation	21,413	(25,212)	(27,301)	(35,955)	(33,548)
Profit after tax	46,605	58,388	66,824	82,267	79,510

Strate Limited

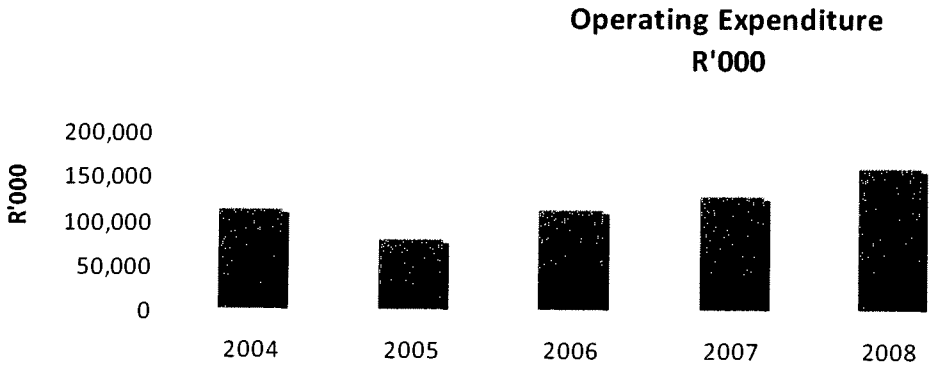
Chief Executive Officer and Chairman's Report *(continued)*

Operating results for the year

We are pleased with the operating results for the year under review, posting an after taxation profit of R79,5 million (2007: R82,3 million) which represents a 3% reduction. On a normalised basis, excluding the adjustment relating to the long term incentive for 2006 and 2007, the after taxation profit is R 83,4 million, which is an 1% increase on the prior after tax profit.



Revenue increased by 11% to R259,7 million (2007: R234,3 million) driven mainly by a surge in equity trading volumes which averaged 67 945 (2007: 49 727) trades per day.



Operating expenditure increased by 23% to R158,8 million (2007: R128,6 million). The increase is mainly attributable to:

- Staff costs, as the company revised its remuneration policy by implementing a market related short term bonus scheme as well as a long term incentive scheme for key personnel; and
- Information technology costs, which are attributable to an increase in capacity utilisation as increased volumes were processed, additional software acquired for monitoring and supporting the various applications and vendor fee escalation.

Strate Limited

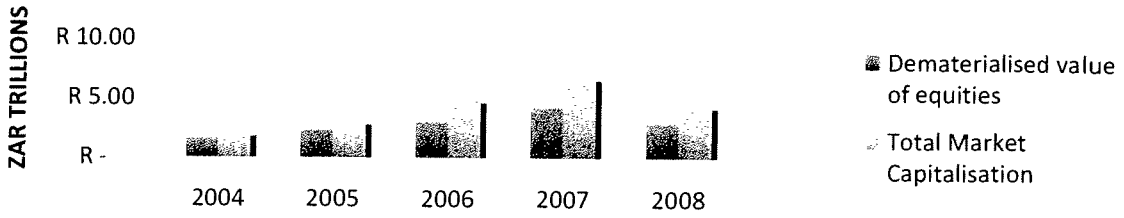
Chief Executive Officer and Chairman's Report *(continued)*

Market statistics

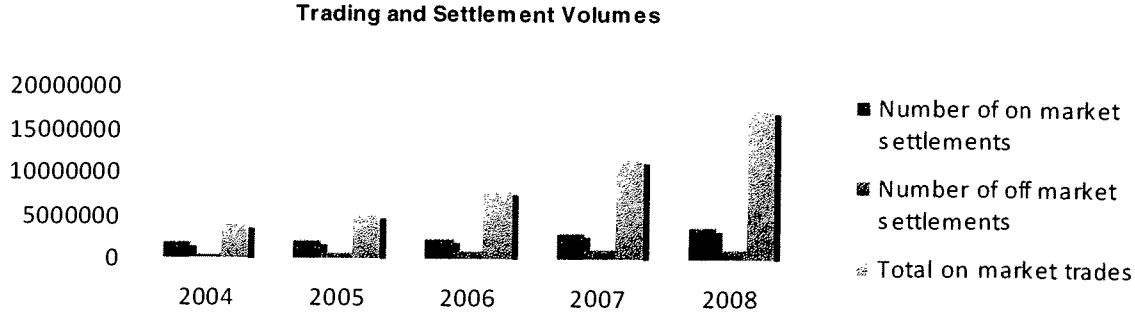
Equities

Strate earned R228,9 million (2007: R205,3 million) of its revenue from the equities market which represents a 11,5% increase.

Dematerialised value
(In ZAR Trillions)



On 31 December 2008 the dematerialised value of equities was R3,0 trillion (66,6% of total market capitalisation of R4,5 trillion), which is 30,2% down on the previous year value of R4,3 trillion (62,3 % of total market capitalisation of R6,9 trillion).



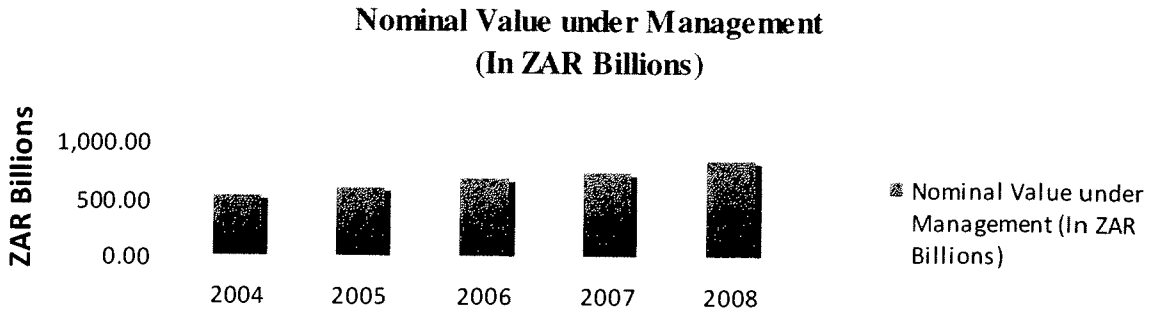
The equities market volumes increased with the on-market trades for the year under review totaling 17,4 million (2007: 11,6 million), which resulted in Strate processing 3,64 million on-market settlements (2007: 2,96 million), an increase of 23%, and 1,20 million off-market settlements (2007: 1,05 million), an increase of 14%.

Strate Limited

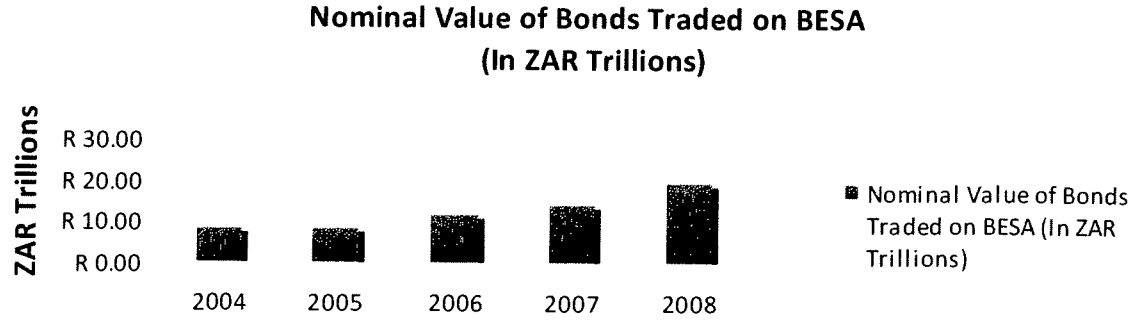
Chief Executive Officer and Chairman's Report *(continued)*

Bonds

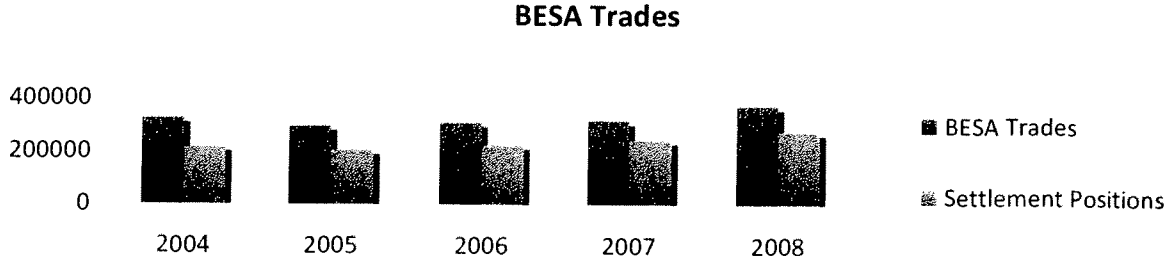
Strate earned R30,8 million (2007: R28,9 million) of its revenue from the Bonds market which represents a 6% increase.



On 31 December 2008 the nominal value of bonds in custody was R842,6 billon, which is 9,0% up on the previous year value of R773,0 billion.



The bond market volumes increased with the nominal value of trades for the year under review amounting to R19,2 trillion which is 39% up on the previous year's value of R13,8 trillion.



Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Money Markets

The nominal value of Money Market("MM") securities under custody at 31 December 2008 was R1, 0 million.

The Money Market application was implemented internally on 22 November 2008.

The solution includes leading practices, such as T+0 settlement cycle, payment of funds in Central Bank funds, an Electronic Trade Matching Engine and Securities Ownership Register, to name a few.

It was a collective market effort which required detailed focus and we look forward to going live with the application mid 2009.

Shareholders return

The company declared and paid an ordinary dividend of R1 686 per share (2007: R1 370 per share) during the financial year which was based on a conservative dividend policy of 5 times cover.

The dividend policy has subsequently been reviewed and a market related dividend policy of 2 times cover has been adopted. In terms of the revised dividend policy an ordinary dividend of R4 075 per share is proposed to be paid by 30 April 2009.

Business Continuity

Business continuity is an imperative in our business.

We have strengthened our ability to cope with adverse events during the year. We successfully implemented certain aspects of our overall business continuity plan and moved and improved our disaster recovery site.

We are aware that the success of business continuity largely depends on our people and therefore we invest a great deal of time and money in initiatives and programmes aimed at enhancing the skills of employees.

We are satisfied with the return on these investments.

Deloitte Best Company To Work For competition ("DBCTWF")

Strate came 2nd overall in the DBCTWF competition in the Financial Services – General Industry category for small companies, defined as less than 300 employees, with Cadiz being the overall winner in this category.

In 2007 Strate came first in the Banking sector. A comparison of the results is difficult as the categories were restructured in 2008 and Strate was moved from the Banking sector to the Financial Services – General category.

Chief Executive Officer and Chairman's Report *(continued)*

Corporate and social investment

The company donated a total of R841 823 (2007: R654 400) to various corporate and social initiatives. Further details are provided in the Corporate Governance report-

Staff matters

Since 2007 Strate has had numerous resignations and vacancies which was identified as a concern.

Investigations concluded that there were several factors that contributed to the resignations, which ranged from performance related factors, remuneration, natural attrition and better prospects, to name a few.

Certain actions and measures were implemented to counter this trend and we are pleased to note that the resignation trend has normalised and is no longer a concern.

Given the economic climate and the nature of some of the staff vacancies, a number of positions that were unfilled were discontinued. This decision does not introduce risk to the company as these jobs were already being performed by other employees and the responsibilities allocated have not grown sufficiently to warrant a dedicated resource.

The remunerations policy was revised and includes revised formulae for determining Short Term Incentives and a Long Term Incentive scheme. The remunerations policy is included in the Remunerations Committee report.

Management Committee– composition

The names of management committee members at the date of this report are:

Name	Function
MJ Singer Saul	Chief Executive Officer
DG Connock	Head- Risk
BL Furman	Head- Supervision
H van Eeden	Head- Finance and Company Secretary
T Knowles	Head- Marketing and Human Resources *
M Puri	Head- Information Technology (employed 1 February 2008)
IG Seymour-Smith	Head- Custody and Settlement
MR Vermaas	Head- Legal Services

** The role of Marketing will be separated from the role of Human Resources during the course of 2009*

There is one vacant Management Committee position being the Chief Operating Officer.

Regulatory responsibility

Strate continues to operate as a Self Regulatory Organisation in terms of the Central Securities Depository ("CSD") licence granted by the FSB.

For details of the regulatory progress made by Strate, a report by the Chairman of the Regulatory and Supervisory Committee is included in the Corporate Governance report.

An annual Regulatory and Supervisory report is available from the Company Secretary on request.

Chief Executive Officer and Chairman's Report *(continued)*

Legal Framework for securities holding, transfer and lending

Strate is integrally involved in the international Unidroit project, which is aimed at harmonising and improving the international legal framework for securities holding, transfer and lending.

A draft Convention was adopted by the Diplomatic Conference in September 2008 and now needs to be ratified by national authorities, in South Africa's case the Financial Services Board ("FSB") and National Treasury.

The ratification by the FSB and National Treasury will result in amendments to South African legislation and consequent- amendments to Strate's CSD rules and directives.

Operational activities

During the period under review, Strate provided an uninterrupted service to its various stakeholders, thereby contributing to the stability of the South African financial markets. The company successfully cleared and settled equity and bond transactions, facilitated corporate events in equities and bonds and provided various and other ancillary services.

In accordance with our strategic objectives, we have focused on operational excellence and the effective management of enterprise risk. Further, Strate successfully implemented two major software releases which addressed a number of the recommendations made as part of an independent Lifespan study of the Safires system. At the same time, Strate addressed both internal and external functionality requests as well as the automation of additional mainframe monitoring. Our investment into these areas was positively evidenced during the financial crisis that struck in September 2008, when Strate settled all transactions on time and handled the increase in volumes without any adverse occurrence.

The annual licences to operate as the CSD for the South African equity and bond markets as well as to perform the clearing house functionality for bonds were both renewed by the FSB.

The Future

The sub-prime crisis and recession fears had a dramatic impact on global financial markets, with several well-known international investment banks disappearing from the scene. Some of the world's largest banks are posting record losses and the financial health of these institutions is being questioned.

These developments could have an impact on Strate's settlement volumes. We are unsure of the level at which the volumes will stabilize and we are monitoring this closely. We are wary of the potential negative impacts and are moving forward cautiously with an increased emphasis on finding alternative revenue streams.

We believe that there are many business opportunities that are complementary to our current business model. Many of the opportunities we are investigating are medium to long term projects whose benefits will only be seen in future years.

Strate Limited

Corporate governance report

This report sets out the key governance principles adopted by the directors in governing Strate Limited.

The Board endorses the principles of accountability, integrity and transparency underlying the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa, 2002 (the "King Report 2002").

The Board is responsible for the ongoing assessment of the company's policies relating to:

- Strategic and business plans.
- Reviews of management's performance against objectives.
- Ongoing assessment of policies which include:
  - delegation of powers to Board Committees;
  - responsibilities and Terms of Reference of Board Committees; and
  - level of authority of Board Committees.

In preparing the annual financial statements, the company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable standards. The directors are of the opinion that the annual financial statements fairly represent the financial position of the company at 31 December 2008, and the results of its operations and cash flows for the year then ended.

Board of Directors – composition

The names of the directors in office at the date of this report are:

Director	Independent	Non-executive	Executive
ME King (Chairman)	Yes		
MJ Singer Saul (Chief Executive Officer)			Yes
PL Campher	Yes		
RG Cottrell	Yes		
MR Johnston		Yes	
RM Loubser		Yes	
A van der Merwe	Yes		
RGM Ndlovu	Yes		
MJ Stocks		Yes	
SPM Yates		Yes	
SV Zilwa	Yes		

The shareholders of Strate play a key role in the governance of the company by appointing directors who have the necessary expertise and know-how to guide the company. The Board has an appropriate balance between independent and non-executive directors. The Chief Executive Officer is the only executive director at present.

Strate Limited

Corporate governance report *(continued)*

Attendance at Board meetings

Director	Alternate	1 9April 2008	2 18 June 2008	3 1 September 2008	4 7 November 2008	Total
ME King (Chairman)		Y	Y	Y	Y	4
MJ Singer Saul (CEO)		Y	Y	Y	Y	4
PL Campher		Y	N	Y	N	2
RG Cottrell	NG Payne	Y	Y	Y	Y	4
MR Johnston	DJ Davidson	Y	Y	Y	N	3
RM Loubser	N Newton-King	N	Y	Y	Y	3
A van der Merwe*		Y	Y	Y	Y	4
RGM Ndlovu		Y	Y	Y	N	3
MJ Stocks		Y	Y	Y	Y	4
SPM Yates	AB le Grange	Y	Y	Y	Y	4
SV Zilwa		M	M	Y	Y	2
Observers						
FSB Representatives**		Y	Y	Y	Y	4

M Absence due to maternity.

* A van der Merwe was appointed as Chairperson to the Audit and Risk Committee effective 22 August 2008, which is in line with the Corporate Laws Amendment Act, 2006 requirements.

** Financial Services Board ("FSB") representatives attend Board meetings as observers.

The directors were also invited to attend the Annual General Meeting that was held on 18 June 2008.

Board committees

The Board has established five permanent committees to assist in the execution of its responsibilities. These committees are the Audit and Risk Committee, Regulatory and Supervisory Committee, Remunerations Committee, Nominations Committee and the Transformation Committee.

Authority is delegated to each of these permanent committees by the Board. Committee meeting agendas, papers and minutes are made available to all members of the Board on request.

Sub-committees are also formed on an ad hoc basis to deal with specific matters.

Audit and Risk Committee

The Audit and Risk Committee was established to assist the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies, the identification and management of risk, the internal control systems and governing external and internal audit.

A report by the Chairman of the Committee is included on pages 27-28.

Strate Limited

Corporate governance report *(continued)*

Remunerations committee and Nominations Committee

The functions of the Remunerations and the Nominations Committees are structured to operate as two separate committees.

The nominations and transformations committees are engaged in ongoing discussion with regards to transformation.

A report by the Chairman of the Remunerations Committee is included on page 29-31.
A report by the Chairman of the Nominations Committee is included on page 32.

Regulatory and Supervisory Committee

The Regulatory and Supervisory Committee was established to assist the Board in supervising the activities of the Central Securities Depository Participants ("CSDPs") in terms of its Central Securities Depository ("CSD") licence which is based on Self Regulatory Organisation ("SRO") principles.

A report by the Chairman of the Regulatory and Supervisory Committee is included on pages 33-34.

Transformation Committee

The Transformation Committee was established to assist the Board in defining a Transformation agenda in line with the principles of the code of good Black Economic Empowerment and proposed Financial Sector Charter.

A report by the Chairperson of the Transformation Committee is included on page 35.

Internal control, Internal audit and risk management

Internal control

The directors are responsible for the system of internal control and for regularly reviewing its effectiveness.

To enable the directors to meet these responsibilities, management sets standards and implements systems of internal control aimed at reducing the risk of error or loss in a cost effective manner. The systems of internal control are also designed with fraud in mind as management aims to detect and prevent incidents of fraud. These controls include:

- the proper delegation of responsibility within a clearly defined framework;
- effective accounting procedures; and
- adequate segregation of duties

Internal audit

The role of the internal audit function is to:

- assess the design and operating effectiveness of controls governing key operational processes and business risks;
- provide the Board with an assessment, independent of management, as to the adequacy of the internal operating and financial controls, systems and practices;

Strate Limited

Corporate governance report *(continued)*

- assist the Board in meeting its corporate governance and regulatory responsibilities; and
- provide consulting services to management in order to enhance the control environment and improve business performance.

Based on information provided by the internal and external auditors and explanations provided by management, the directors are of the opinion that:

- the company's internal controls are adequate and effective. To the extent that breakdowns have been experienced, appropriate manual interventions have been introduced to mitigate against the potential impacts of such breakdowns; and
- the company's assets are protected and used as intended in all material respects with appropriate authorisation.

Internal Audit in Strate is independent of the Risk Management and the Supervision functions.

Risk management

The focus of risk management is to identify, assess and implement controls for all the major risks to which there is an exposure. Although risk cannot be eliminated, actions to mitigate risk exposures are initiated by identifying risks and ensuring that the appropriate controls, systems, practices and ethics are implemented.

Strate's core business, as defined in its purpose, is to provide clearing, settlement and depository services for securities, enabling stakeholders with end to end pragmatic, reliable, innovative solutions that facilitate the management of risk and realisation of value.

The risks that are faced by Strate and the market due to the implementation of the electronic settlement process have been identified and are described below. The parties responsible for managing these risks have also been identified and are reflected in the risk matrix below. References to Strate are in its capacity as the CSD. This section on risk management also refers to the limited proprietary risks Strate bears in managing its own affairs.

Risk matrix - Electronic settlement in the Strate environment

	EQUITIES				BONDS			
Type of risk	**Strate**	**JSE (Settlement Authority)**	**CSDPs**	**Brokers**	**Strate**	**BESA**	**CDPs**	**Brokers**
Principal	No	No	No	No	No	No	Yes	Yes
Tainted scrip	No	No	Yes	Yes	No	No	Yes	Yes
Settlement	No	Yes *	Yes**	Yes*	No	No	Yes	Yes
Credit	No	Yes	Yes	Yes	No	No	Yes	Yes
Liquidity	No	Yes	Yes	Yes	No	No	Yes	Yes
Systemic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Operational or technology	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* *T + 0 to final confirmation*
** *From final confirmation*

Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Principal risk

Definition
Principal risk is the risk that a party to a trade will lose the full value involved in the transaction. This could occur when there is a disconnection between the payment and transfer of ownership of the securities.

Equities
There is no principal risk in Strate Limited as the settlement model is to reserve the securities, effect payment of funds in Central Bank funds using the Continuous Batch Processing Line ("CBPL") functionality and, without any delay, transfer ownership of the securities at the Central Securities Depository Participant ("CSDP") level. Transfer is final and irrevocable in law. Strate complies with the Simultaneous Final Irrevocable Delivery versus Payment ("SFIDvP") principle. This ensures that the final and irrevocable transfer of the securities occurs simultaneously with the final and irrevocable transfer of funds in Central Bank funds.

Bonds
The situation is the same as described above, except that Continuous Processing Line ("CPL") payment functionality is used.

Tainted scrip risk

Definition
Tainted scrip risk arises when security certificates which are tainted are dematerialised into the Strate environment.

Equities
Strate bears no tainted scrip risk as, once in Strate, the record is sacrosanct and no rectification is possible. Strate does not take responsibility for the dematerialisation process. The sub-registers, where the record of ownership of investors is kept, are maintained by CSDPs.

Bonds
The situation is the same as described above except for the fact that in the Bond environment dematerialisation and immobilisation is allowed. The Participants in the Bond environment are known as Central Depository Participants ("CDP's").

Settlement risk (also known as replacement cost risk, which includes price risk)

Definition
Settlement risk is the risk that a party to an open transaction, for completion at a future date, will fail to perform on the settlement date. This failure may leave the counterparty with an unhedged or open market position or deny the counterparty unsettled gains on the position. The resulting exposure is the cost of replacing, at current market prices, the original transaction.

Equities
Strate bears no settlement/replacement cost or price risk. For on-market trades between two brokers, the JSE Limited ("the JSE") accepts settlement and price risk for both cash and securities if the broker that introduced the trade is unable to settle. The JSE, in turn, has recourse against the broker that introduced the

Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Equities(continued)
trade for the price risk and an administration charge will be levied as part of the penalty stipulated in terms of the JSE rules. For off-market trades, if settlement does not take place, the trade is taken out of the system at end of day on T + 5 (five business days after transaction date) and it is left to the contracting parties to remedy the "failed trade". In addition the CSDPs may facilitate the settlement process for off-market trades by reporting the off-market instruction to the CSD for the next available settlement date. This facilitation process may continue for a maximum of five business days after the settlement date of the original instruction after which the original instruction will be cancelled.

Bonds
Strate bears no settlement/replacement cost or price risk. In general the Bond Exchange of South Africa ("BESA") does not bear the risk either. BESA only bears the risk for both cash and securities in the event of broker default. BESA has a guarantee fund in place for these events.

Credit risk

Definition
Credit risk refers to the risk borne in the event of a counterparty not settling an obligation for full value, either when due or at any time thereafter. Credit risk comprises the risk of loss from a counterparty defaulting during settlement.

Equities
Strate bears no credit risk in respect of the settlement process. Credit risk is borne by the CSDPs in respect of settlements for which they have irrevocably committed to settle. The JSE, on behalf of its members, also assumes credit risk exposure in respect of those transactions introduced by them and to which the CSD participants are not prepared / unable to add their commitment.

Strate is exposed to credit risk in the normal course of business.

Bonds
Strate bears no credit risk in respect of the settlement process. Credit risk is borne by the CDP's in respect of settlements for which they have irrevocably committed to settle. The only instance where BESA may bear the risk will be in the event of Broker default, as explained under settlement risk above.

Strate is exposed to credit risk in the normal course of business.

Liquidity risk

Definition
Liquidity risk is the risk that a party will not have sufficient liquidity, i.e. cash or securities, to meet its settlement obligations.

Equities
Strate bears no liquidity risk as it neither acts as a bank nor deals with investors directly. It only deals with CSDPs. The CSDPs, the JSE and its members bear liquidity risk.

Bonds
Strate bears no liquidity risk as it neither acts as a bank or deals with investors directly. It only deals with CDP's, who bears liquidity risk. The only instance where BESA may bear the risk will be in the event of Broker default, as explained under settlement risk above.

Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Systemic risk

Definition
Systemic risk refers to the scenario when a disruption at a CSDP, the JSE, BESA, Strate or the Central Bank could cause a "domino effect" throughout the financial markets.

Equities
One aspect of the supervision of the CSDP's by Strate's Supervision Department is to mitigate systemic risk in the clearing and settlement of securities transactions.

Bonds
The situation is the same as explained above for equities.

Operational risk and technology risk

Definition
Operational and technology risk is the risk that improper operations, trade processing or management systems will result in financial loss. It includes the risk of loss due to a breakdown in internal controls.

Equities and Bonds
On the financial side, proper management procedures including adequate books and records are maintained. Strong internal controls have been implemented and are reviewed regularly to ensure that the risk exposures are mitigated.

The controls that Strate has implemented to manage its risk exposure are categorised as follows:

- Management controls;
- Financial controls;
- Operational controls;
- System and data processing controls; and
- Business continuity.

Management controls

Controls throughout Strate are a key accountability of line management and are monitored on an ongoing basis by management to ensure compliance with documented policies and operational procedures.

Management controls are an integral part of the control environment of the company. Management has to ensure that the risks in their respective areas of responsibility are managed within the tolerance levels of the company.

Compliance with documented policies and operational procedures, which are accessible to all employees, is part of Strate's terms of employment.

To ensure that the staff are adequately informed, human resource policies and procedures are communicated on an ongoing basis.

Strate Limited

Corporate governance report *(continued)*

Financial controls

Comprehensive financial controls are implemented to ensure that:
- Financial information is reliable; and
- Assets are safeguarded against unauthorised use or disposal.

Financial information is used in decision making and preparation of management reports and financial statements. Regular communication of accounting conventions, taxation and other relevant information takes place to ensure that the finance staff are equipped to produce reliable financial information. Strate actively encourages all staff to use the generous training allowances.

Financial planning is also key as Strate's solvency and ability to operate as a going concern needs to be ensured and managed. Strate's revenues are dependant on the trading volumes of securities. Strate has to have the resources, means and ability to see through prolonged periods of adverse trading conditions, as well as potential contingencies. Information on matters such as operating and capital expenditure, identification of contingent liabilities, insurance cover, legislation and fluctuation in trading volumes is used in performing sensitivity analyses. The sensitivity analyses provide information on the impact on various key items, such as cash and profitability.

Internal controls are documented. Regular review of these controls takes place and, where necessary, these are updated to ensure appropriateness.

A high degree of segregation of duties and delegation of authority is achieved despite a relatively small staff compliment. Care is taken to ensure that staff members are not able to perform tasks or execute transactions from beginning to end. Management review and oversight plays an important role in mitigating the risk to acceptable levels in areas where it is not possible to segregate duties and delegate authority. The controls are considered to be adequate.

Operational controls

Operational procedures with respect to clearing, settlement and corporate action processing are largely automated and an integral part of the CSD system. There were no significant weaknesses or areas of concern, but recommendations have been provided to automate some of these manual processes to eliminate manual intervention as far as possible and to further improve Straight Through Processing ("STP").

The operational controls are based on the following key principles that are consistent with internationally recognised standards for securities settlement systems:

- Simultaneous Final Irrevocable Delivery versus Payment ("SFIDvP") in Central Bank funds.

  The settlement model involves the reservation of securities balances, the transfer of value in Central Bank funds and the simultaneous release and transfer of securities. This provides the basis for SFIDvP which is enabled by Strate and the South African Multiple Options System ("SAMOS") which provide for the electronic transfer of securities and funds respectively.

Strate Limited

Corporate governance report *(continued)*

Operational control *(continued)*

- Rolling settlement cycle on a trade day plus basis.

  The time as to when a trade will settle is easily determinable. Settlement of a trade is scheduled based on the settlement cycle applicable to the type of security. On market equity trades currently settle on a T+5 basis and on market bond trades on a T+3 basis.

- Risk based

  Controls are implemented to manage the risk inherent in the specific transaction or process.

- Group settlement

  Equity settlement obligations are grouped per security and per dependency. The groups formed are structured in a manner to minimize and isolate the impact of a settlement failure to a specific group.

  Bond settlement is not ring fenced as settlement is a process and a single fail could result in total settlement failure. The settlement process limitation is proactively managed and monitored.

- Efficient netting

  The settlement system has functionality that nets cash and security positions. This functionality limits the number of transfers between safe custody accounts and reduces the cash funding requirements of the Central Bank by the settling banks.

- Securities lending and borrowing

  The securities lending and borrowing functionality improves liquidity and reduces the risk of failed settlement. Securities can be sourced by willing borrowers from willing lenders to expedite settlement in an extremely automated and secure environment where collateral and securities pass simultaneously in one group settlement.

- Corporate actions- automation of process

  The corporate action process enables electronic payment of entitlements in Central Bank funds on due date. There are certain manual activities that present risk, but those are closely controlled.

  Payments to Participants are only made once Strate has been funded, thereby eliminating credit risk. The rolling contractual basis of settlement ensures that market claims are eliminated.

- Minimum participant eligibility standards

  Applicants are required to meet minimum standards in order to be accepted as a Participant, and once approved and accepted, to continue to operate as a Participant.
  Eligibility standards are risk based to ensure that the clearing and settlement processes are, and remain to be, of a high standard given the potential systemic risk implications.

Strate Limited

Corporate governance report *(continued)*

Operational control *(continued)*

- Security messages developed in terms of the International Standardisation Organisation standards ("ISO standards")

  As an international CSD, securities messages conform to the latest ISO standards.

Information technology

Strate provides high-quality, reliable and responsive processing and network services in an operationally and physically secure environment.

Strate operates a mainframe-based processing environment. The mainframe is located at its data centre, a separate site from its operations, and provides Strate with the infrastructure to securely host its core applications for its electronic holdings, clearing and settlement business.

Business continuity

A fully documented Business Continuity Plan exists to deal with a potential business interruption in operations or systems, effectively and efficiently. The plan ensures that the business of the company will continue in the event of an emergency. Strate has a fully mirrored disaster recovery site at a separate site. The Disaster recovery site and related processes implemented, which is mentioned in the systems and data processing controls above, is an integral part of the total business continuity plan.

Procedures for the back-up and retention of data exist. Information is regularly backed up and stored in a secure off site location.

Elements of the Business Continuity Plan are tested on a regular basis to ensure that the stated objectives are satisfactorily achieved.

Stakeholder relations

Strate has established channels of communication with its stakeholders through various standing advisory groups and industry forums.

Advisory groups are also formed on an ad hoc basis to deal with specific matters.

Ethical practices

Strate's code of conduct is designed to set standards of behaviour. All employees and suppliers are required to maintain the highest ethical standards aimed at ensuring that the company's business practices are conducted in a manner which is above reproach. Emphasis is placed on respecting client confidentiality, avoiding conflicts of interest, and conducting business with integrity and honesty. Failure to comply with the code of ethics is viewed as a serious disciplinary breach which is subjected to disciplinary action. We will cease doing business with any supplier not complying with our code.

No violations of this code have come to light during the year under review.

Strate Limited

Corporate governance report *(continued)*

Safety, health and environment("SHE")

Safety

Strate is committed to perform in accordance with the Occupational Health and Safety Act (No.85 of 1993) in providing a workplace that prevents accidents and fatalities.

Health

Management and selected senior staff members are compelled to go for annual health check-ups in terms of the company's policies and conditions of employment.

Environment

Strate is conscious of its environmental responsibility and actively promotes the recycling of waste and limited use of scarce resources. Strate recycles paper and aluminium tins consumed on the premises. During 2008, a number of initiatives were also undertaken to reduce electricity consumption and assist with the power supply constraints in South Africa.

Sustainability report

Due to Strate's financial performance over the last financial year, the Corporate Social Investment budget increased to R841 823 (2007:R654 400)

Strate revised its Corporate Social Investment strategy for 2008 and aligned this initiative to its strategic objectives by focusing on education in the maths and science arenas. A provision was also made for Strate staff to get involved through volunteering and by selecting charities of their choice.

Contributions were made to:

Thuthuka Bursary Fund

The South African Institute of South Africa Chartered Accountants ("SAICA") has over the last 18 years been running numerous programmes to assist students from disadvantaged backgrounds with entry into the accounting profession.

The Thuthuka Education Upliftment Fund and Thuthuka Bursary Fund were created to be vehicles through which this consolidated strategy is driven. The core objective is to establish and maintain structures for carrying out and promoting skills development activities which will contribute to changing the membership demographics of the Chartered Accountancy profession with the ultimate aim that the membership of the profession will reflect the country's population demographics.

Strate sponsored two students during 2008.

Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

Sekolo sa Borogo

Strate's selected flagship charity for 2008 was Sekolo sa Borokgo. Formed in 1993, Sekolo sa Borokgo is a non-profit, co-educational, independent school, registered with the Gauteng Department of Education, from which it receives a small subsidy.

The school caters mainly for previously disadvantaged learners who come from areas such as Soweto, Alexandra, Vosloorus and Diepsloot, Cosmo City and the East Rand. These children usually do not have a wide range of resources at home such as reference books, computers or internet connectivity. Some come directly from rural schools where they have been taught minimal English.

The aim of the school is to develop learners with potential, who have strong academic ability, in a structured environment, with particular emphasis on Maths, Science and English.

Sekolo sa Borokgo has been identified as a hub school for the ISASA Maths and English programme which seeks to increase the throughput of Black Learners who matriculate with Maths and English (combined with Science, Life Science, Economics or Accounting) on a national basis.

The school currently operates on two campuses: the Middle School in Blairgowrie (Grades 7 to 9), and the Matric Centre in Randburg (Grades 10 to 12 and A Level College). Both sites were acquired via external corporate funding-

Sekolo sa Borokgo relies heavily on donations and sponsorships as many of the learners come from very disadvantaged backgrounds. Many children come from one-parent families and several receive food parcels each week.

Approximately 300 learners attend the school. Current numbers per class do not exceed 25 with a teacher pupil ratio of 1:18. There are 25 teaching staff, 5 support, 3 domestic workers and 2 tutors.

Ebenezer Care Centre

Over the past 8 years Strate has built up a committed and sustainable partnership with Ebenezer Care Centre, a home for the aged and abandoned children.

Ebenezer Care Centre provides a loving home environment for about 80 destitute people and encourages and empowers them to be self-reliant by enhancing skills development. Ebenezer also ensures that the children get the necessary education to enable them to lead fulfilling happy lives.

Strate not only provides ongoing financial support but also recognises the value of staff involvement and encourages a philosophy of employee volunteering, thus enabling staff to take on a hands-on approach in the lives of all of those living at Ebenezer Care Centre.

During 2008, Strate assisted Ebenezer by buying monthly groceries and a brick making machine for their small brick manufacturing business.

Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

JSE/Liberty Schools Challenge

During 2008, Strate supported the JSE/Liberty Life Investment Challenge by sponsoring five schools namely, Parkhill Secondary, Central Secondary, Lenasia Secondary, Letsatsing Science School and St Francis College.

Employee involvement / nominations

On an annual basis, staff are able to nominate a charity or worthy cause within their community. All the nominations are presented to the Management Team who decide on which charity will receive a tangible donation worth R10 000 from the CSI budget. This initiative involves all staff in Strate's CSI programme and gives the smaller community based charities a chance to receive much needed funds. Five suitable charities were selected during 2008.

Payroll Giving

The concept of "Payroll Giving" is rooted in the collection of seemingly insignificant donations given to worthy causes on a monthly basis. Through Payroll Giving, an agreed amount is deducted voluntarily from an employee's salary on a monthly basis and paid directly to the South African Children's Charity Trust. An employee can choose to donate any amount (from as little as R5) that he/she feels comfortable with.

For every amount donated by a staff member to this cause, Strate matches this amount.

Other initiatives that Strate is involved in include:

Cell C – Take a Girl Child to Work

On an annual basis Cell C runs the 'Take a Girl Child to Work' programme which enables young girls to visit various corporate businesses for the day. These young girls are provided with an overview of Strate and the financial markets, career guidance, shadowing a Strate employee and a motivational talk from the CEO.

Strate hosted 22 girls between the ages of 16-18 as part of this initiative.

Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

Strate Charity Shares ("SCS")

SCS is a charity donation programme run by Strate and Computershare Investor Services. SCS serves as a convenient mechanism whereby shareholders can quickly and easily donate small or large amounts of shares to charity. It does not cost the person making the donation anything and is tax-deductible.

SCS is a highly effective vehicle for disposing of small holdings of shares that are too costly to sell through a stockbroker, since shareholders incur no cost if they donate their shares to charity.

The donations have helped organisations like The Salvation Army, Bethany House Trust, Lifeline and The African Children's Feeding Scheme.

Education of staff

Strate encourages its employees and the market participants to be involved in educational projects to broaden the general knowledge of custody and settlement in South Africa. As result of this initiative a number of staff completed the Strate exam. The qualification obtained by passing this exam is recognised by the Compliance Institute of South Africa.

Educational support

The staff policies of Strate make provision for educational support to children of qualifying staff members. Each qualifying staff member is entitled to support to the value of R5 000 per annum subject to the conditions stipulated in the staff policies.

ICAS

Strate provides an Employee Assistance Programme (EAP) to all staff members and their immediate family members through ICAS International.

The service includes full access to 24 hour telephonic information, support, legal advise and counselling as well as face-to-face counselling when needed. Staff members are able to address personal and family concerns including legal, domestic, work related, marital and relationship issues with the help of an experienced, professional counsellor in a confidential manner.

In addition to the personal support line offered through, ICAS provides an E-Care service related to healthcare. This service includes access to a health portal where staff are able to search for medical related information as well as complete various questionnaires that are aimed at assisting them obtain a health life.

Graduate programme

Strate has a Graduate programme and annually employs three recent graduates to be part of the programme. The programme, which is into its third year, exposes graduates to various areas within Strate where they would gain valuable experience to further their careers.

We are in the process of selecting the graduates for the next phase of the program.

Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

HIV / AIDS

Strate implemented an HIV / AIDS education initiative and wellness programme for staff members.

Society and Transformation

Black Economic Empowerment ("BEE")

Strate believes that BEE is an essential ingredient in facilitating the meaningful transformation of the South Africa's economy in order to ensure sustainable socio-political and economic stability and the sustainability of the economic growth and development at all levels.

Strate's approach to BEE is based on the perspective that BEE is an economic and business imperative. Strate seeks to play an active role in transformation by engaging shareholders, directors, employees, customers, business partners, suppliers and the community in this process.

Employment Equity ("EE")

Strate is committed to creating a workplace in which individuals of ability, potential and application can develop rewarding careers at all levels, regardless of their background, race or gender. To this end, the company continues to implement employment equity policies. These policies emphasise opportunity for all, and seek to identify, develop and reward each employee who demonstrates the qualities of individual initiative, drive, determination, hard work and loyalty in his or her job.

The workforce profile statistics for Strate are as follows:

Classification		**2008**	**2008**	**2007**	**2007**
		No. of Staff	**Percentage**	**Percentage**	**No. of Staff**
Gender	Female	**56**	**48%**	**51%**	**60**
	Male	**61**	**52%**	**49%**	**57**
		117	**100%**	**100%**	**117**
Race	White	**54**	**46%**	**51%**	**59**
	Coloured	**14**	**12%**	**15%**	**18**
	Black	**32**	**28%**	**21%**	**25**
	Indian	**13**	**11%**	**10%**	**12**
	Other	**4**	**3%**	**3%**	**3**
		117	**100%**	**100%**	**117**
Disabled	Disabled	**2**	**2%**	**1%**	**1**
	Not disabled	**115**	**98%**	**99%**	**116**
		117	**100%**	**100%**	**117**

Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

Expansion into Africa

Strate is aligned to international best practices and continually strives to bring further efficiencies and enhancements for the good of the Southern Africa's financial community.

Strate became a member of the Committee of the SADC Stock Exchanges ("CoSSE") in October 2007 in order to further this initiative. Quarterly reports, containing an update of the various initiatives and operations of Strate are submitted to CoSSE and we actively participate in the meetings and projects.

We believe that our membership to this Committee will assist us in our drive to expand into Africa.

In addition, Strate successfully hosted the Africa and Middle East Depositories Association Conference ("AMEDA") annual meeting.

Strate Limited

Corporate governance report *(continued)*

Audit and Risk Committee report for the financial year ended 31 December 2008

As Chairperson of the Audit and Risk Committee, it is my pleasure to submit the Strate Audit and Risk Committee report for 2008.

The overall objective of this Board Committee is to assist the Board of Directors in the discharge of its duties relating to corporate accountability. The Committee has a Terms of Reference which was, during the course of the year under review, amended to take into account the requirements of the Corporate Laws Amendment Act, No 24 of 2006 ("the Act"). As a direct result of these changes the composition of the Committee was aligned to the requirements of the Act.

We are satisfied that we have complied with our mandate, particularly in the areas of:

- evaluating the independence and effectiveness of the internal and external auditors;
- reviewing the annual report and financial statements to ensure that they present a balanced and understandable assessment of the position, performance and prospects of the company;
- evaluating the company's risks, the measures taken to mitigate those risks and the treatment of the residual risk;
- maintaining a comprehensive and effective control environment in the organisation; and
- compliance by the company with legislation impacting on it.

During the year the Committee met four times. The members of the Committee and their attendance at the meetings were as follows:

Member	Classification	1 5 March	2 31 March	3 22 August	4 27 October	Total
A van der Merwe* (Chairperson)	**Independent**	**-**	**-**	**Y**	**Y**	**2**
R M Loubser ****	**Invitee**	**Y**	**Y**	**Y**	**Y**	**4**
N G Payne ****	**Invitee**	**Y**	**Y**	**Y**	**Y**	**4**
HJ Swanepoel ****	**Invitee**	**Y**	**Y**	**N**	**Y**	**3**
S V Zilwa	**Independent**	**Y**	**M**	**Y**	**Y**	**3**

M Absence due to maternity

* A van der Merwe was appointed as Chairperson of the committee effective from 22 August 2008.

** Resigned as members of the committee effective from 22 August 2008 and subsequent to that attended as invitees.

The Chief Executive Officer, other members of management as appropriate, and representatives from the external and internal auditors attend the meetings by invitation. The Committee also makes use of a number of subject matter experts to guide it in the execution of its duties. As with the management representatives, these parties are not entitled to vote.

The Committee has reviewed and considered various issues delegated to it by the Board. Issues worth noting are as follows:

- the committee reviewed and recommended the appointment of the external auditors;

Strate Limited

Corporate governance report *(continued)*

Audit and Risk Committee report for the financial year ended 31 December 2008 *(continued)*

- reviewed the audit plan prepared by the external auditors for the year end audit, as well as the audit plan from the internal auditors;
- reviewed the annual financial statements, interim financial statements, forecast and budgets, and recommended these to the board for its consideration and approval;
- conducted ongoing reviews of the risks relevant to Strate Limited and how these have been mitigated; and
- reviewed the activities of the internal auditors in accordance with the agreed internal audit plan and charter, taking note of the findings and recommendations for the improvement of the controls environment within Strate limited.

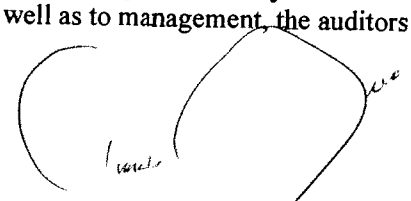
The Audit and Risk Committee has no reason to believe that the auditors, KPMG Inc have not at all times acted with unimpaired independence during the audit of the financial statements. The Audit and Risk Committee approved non-audit services to the value of R39,020 during the financial year.

The Committee is satisfied that all material issues have been dealt with in terms of its Terms of Reference and constitution. No other, additional, responsibilities were delegated to the Committee by the Board during the period under review.

The Committee is committed to the principles of accountability, transparency and integrity.

At this juncture I would, on behalf of the Board, like to express sincere gratitude to Mr Nigel Payne for the invaluable contribution that he has made, and leadership that he has provided, as Chairman of this committee for the last number of years.

I am also grateful to my fellow committee members for their efforts and contributions during the year as well as to management, the auditors and the user community for their ongoing support.



A van der Merwe (Mrs)
Chairperson, Audit and Risk Committee
Independent Board member

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee report for the financial year ended 31 December 2008

The overall objective of the Committee is to make recommendations to the Board in the discharge of its duties relating to remuneration.

During the year the Committee met five times in 2008. The attendance at the meeting was as follows:

Member	Classification	9 Jan	26 Mar	13 Jun	22 Jul	28 Aug	7 Nov	Total
ME King (Chairman)	Independent	Y	Y	Y	Y	Y	Y	**6**
MJ Singer Saul	CEO	Y	Y	Y	Y	Y	Y	**6**
RG Cottrell	Independent	N	Y	Y	Y	Y	Y	**5**
RM Loubser	Non-Executive	Y	Y	Y	Y	Y	Y	**6**
NG Payne	Independent	N	Y	Y	Y	N	Y	**4**

The Chief Executive Officer ("CEO") is invited to attend the meetings but recuses herself when her remuneration is discussed.

The Committee reviewed and considered various issues referred to it by the Board. Issues worth noting are as follows:

- The Committee recommended the remuneration of the Chief Executive Officer ("CEO") and senior management;
- The Committee reviewed the current remuneration structure, of which a summary is included below, and recommended the following:
  - the revision of the short term bonus policy for employees that's been employed for less than 2 years;
  - the formulae for calculation the ex-gratia bonus; and
  - the formulae, conditions, participants and implementation date of the Long term incentive("LTI") scheme; and
- The Committee recommended the remuneration of the Board Members.

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee report for the financial year ended 31 December 2008 *(continued)*

Remuneration Structure and Policies

The remunerations structure of Strate consist of the following components:

1) Salary;
2) Short term bonus;
3) Ex Gratia bonus; and
4) Long Term Incentive("LTI")

Salary

The company adopted the total Cost to Company ("CTC") approach. The CTC of employees are market related and are benchmarked against industry information on a regular basis in order to ensure that salaries remain market related.

Short term bonus

The short term bonus policy is designed to reward employees for their contribution to the success of the company each year.

Each employee is rewarded for his/her performance against their specific objectives, which are aligned to the specific objectives of the company.

The short term bonus, which is paid annually, ranges from 1 to 5,7 times monthly CTC depending on an individuals employee's seniority and performance.

Ex-Gratia bonus

In 2008 Strate implemented an ex-gratia bonus policy by which the Remunerations Committee, at its discretion, may declare an Ex-Gratia bonus pool to employees amounting to 10% of Net Profit After Tax ("NPAT").

Employees share in the Ex-Gratia bonus pool on a pro-rated basis, which is calculated by expressing the employee's short term bonus received, as per the short term bonus policy, as a percentage of the total short term bonuses paid to employees.

The Ex-Gratia bonus is paid in two payments. The first payment, equating to 75% of the estimated Ex-Gratia pool paid to qualifying employees in November of that year. The balance of the Ex- Gratia bonus pool is calculated once the audited NPAT has been determined and paid in March/April of the following year.

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee report for the financial year ended 31 December 2008 *(continued)*

Long Term Incentive("LTI")

The effective starting date of the LTI was 1 January 2006.

The LTI scheme was implemented in order to retain key and critical employees over the long term to assist the company in achieving its strategic objectives in line with the Board and shareholder's expectations.

Participation is determined annually for each new LTI pool. In order to determine participation, an evaluation criteria, which includes a minimum performance management rating, specialised skills or knowledge and marketability was used.

The LTI pool is calculated using pre-agreed formulae determined by the Remunerations Committee and approved by the Board. At present the LTI pool is determined at 20% of the actual dividend declared, however, the Remunerations Committee and Board retain the discretion to change the formulae at any point in time for the determination of future LTI pools.

Participants' share in the LTI pool is on a pro-rated basis. Each Participant is allocated a specific multiple, ranging from 2 to 5 of their annual CTC, based on the participant's seniority in the company.

A participants interest in the LTI pool is calculated by expressing the participants annual CTC, times the multiple allocated to each participant, as a percentage of the total annual CTC, times the multiples for all participants of the LTI pool.

The accumulated participation interest of each participant is capped not to exceed the participants annual CTC times the multiple allocated, and in addition, is not to exceed 20% of the LTI pool.

The LTI scheme is a five year cycle scheme with payments spread equally in years 3, 4 and 5.The first payment to eligible participants was made in December 2008 based on the 2006 results.

ME King
Chairman, Remunerations Committee
Chairman of Board

Strate Limited

Corporate governance report *(continued)*

Nominations Committee report for the financial year ended 31 December 2008

The overall objective of the Committee is to make recommendations to the Board in the discharge of its duties in advising and making recommendations to the Board on the appointment of Directors

During the year the Committee met twice, on 19 May 2008 and 29 September 2008. The attendance at the meeting was as follows:

Member	Classification	19 May	29 September	Total
ME King (Chairman)	Independent	Y	Y	**2**
MJ Singer Saul	CEO	Y	Y	**2**
RM Loubser	Non-Executive	Y	Y	**2**
RGM Ndlovu	Chairman Of Transformation Committee	n/a	Y	**1**

The Chief Executive Officer ("CEO") and Chairman of the Transformation Committee are invited to attend the meetings.

The Committee reviewed and considered various issues. Issues worth noting are as follows:

- The Committee approved the appointment of Mr RSM Ndlovu as the Chairman of the Transformation Committee, replacing Ms HJ Sonn who resigned from the Board;
- The Committee considered the composition of the Audit Committee in light of the Corporate Law Amendments Act("CLAA") and appointed Ms A van der Merwe as the Chairperson and Ms SV Zilwa as the other member;
- The Committee discussed succession planning of the Chairperson of the Regulatory and Supervisory Committee;
- The Committee discussed succession planning of the CEO and recommended the recruitment of a Chief Operating Officer("COO"); and
- The Committee conducted an evaluation of the committee and the Chairman of the Committee

ME King
Chairman, Nominations Committee
Chairman of Board

Strate Limited

Corporate governance report *(continued)*

Regulatory and Supervisory Committee report for the financial year ended 31 December 2008

The overall objective of this Board Committee is to assist the Board of Directors in the discharge of its regulatory and supervisory responsibilities in terms of the Securities Services Act of 2004 ("SSA").

The rules for Strate under the SSA confer the power and the responsibility on the Board, as the controlling body, to:

- make, alter and rescind rules and directives;
- enforce the rules and directives;
- initially admit Participants and monitor their suitability to remain Participants;
- monitor Participants' compliance with the rules and directives;
- monitor the record keeping, internal controls and risk management procedures of the Participants;
- approve Nominees in terms of Section 36(1)(b) of the SSA and Directive SAN; and
- carry out enforcement, investigation and disciplinary functions.

The FSB is responsible for licensing Exchanges, namely the Bond Exchange of South Africa ("BESA") and the JSE Limited ("the JSE"), and Central Securities Depositories ("Strate"). A co-regulatory relationship exists within the South African financial markets with the Bank Supervision Department of the South African Reserve Bank ("SARB") being responsible for regulating banks, BESA and the JSE for regulating brokers ("Authorised Users") and Strate for supervising compliance by Central Securities Depository Participants ("Participants"). In addition, SARB is responsible for the National Payments System.

A separate Regulatory and Supervisory or SRO Report is published annually which details the regulatory and supervisory activities of Strate. The past reports can be obtained from Strate's offices or from the website www.strate.co.za.

The Committee conducted a Chairman and Member Performance Review / Self-Assessment during June 2008. The results were satisfactory and no negative comments were raised.

Strate Limited

Corporate governance report *(continued)*

Regulatory and Supervisory Committee report for the financial year ended 31 December 2008 *(continued)*

During the year the Committee met five times (including one special purpose meeting). The members of the Committee and their attendance at the meetings were as follows:

Member	Classification	1 25 Jan *	2 26 March	3 3 June	4 25 Aug	5 16 Oct	Total
RG Cottrell (Chairman)	Independent	Y	Y	Y	Y	Y	5
MR Johnston	Non-Executive	Y	N	Y	Y	Y	4
A van der Merwe	Non-Executive	-	-	-	Y-Appointed	N	1
NG Payne	Independent	N	Y	Y	Y	Y	4
H Sonn	Non-Executive	N	Resigned	-	-	-	0
SPM Yates	Non-Executive / Market Practitioner	R	Y	N	N	Y - Resigned	2
S Zilwa	Non-Executive	Y	M	M	M	Y	2
Observers							
FSB Representative S Davies	General Manager: JSE Surveillance	Y	Y	Y	N	Y	4
G Greubel * alternate to J Shayi	CEO : BESA	Y	Y	N	N	Y	3
J Shayi	Head of Regulation: BESA	Y	N	Y	N	N	2
M Singer (CEO)	Executive	N	Y	N	N	Y	2
		R	Y	Y	N	N	2

Y - attended meeting
R - recused from meeting
N - did not attend meeting
M - absence due to maternity
* - special purpose meeting

The Committee is satisfied that all material issues arising from its Terms of Reference have been dealt with. I would like to thank the members of the Committee and relevant members of Strate's staff for their contributions to the Committee's activities.

RG Cottrell
Chairman, Regulatory and Supervisory Committee
Independent Board member

Strate Limited

Corporate governance report *(continued)*

Transformation Committee report for the financial year ended 31 December 2008

The Transformation Committee was established on 6 September 2007 to assist the Board in defining and implementing a Transformation Policy that is in line with the BBBEE Act and the Financial Sector Charter which is currently under review.

During 2008, the Committee met twice. Attendance at the meetings for the year was as follows:

Member	Classification	1	2	Total
RSM Ndlovu (Chairman)	Independent	Y	Y	2
PL Campher	Independent	N	Y	1
RM Loubser	Non-Executive	Y	Y	2
SV Zilwa	Independent	M	Y	1

M - Absence due to maternity

The Chief Executive Officer ("CEO") and other members of management as appropriate attend the meetings by invitation.

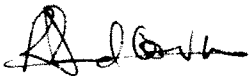
The Committee reviewed and considered the following issues:

- Strate's BEE Strategy;
- the Strate Charter on Transformation;
- the BEE Scorecard and the seven elements thereof;
- the Codes of Good Practice;
- the draft Financial Sector Charter
- the future shareholding of Strate; and
- the board and management representatives within Strate

Strate's approach to transformation is based on the holistic perspective that it is an economic and business imperative. Strate seeks to play an active role in transformation by engaging shareholders, directors, employees, customers, business partners, suppliers and the community in this process.

During 2008, the momentum for transformation was renewed by the Committee with a strong focus on the alignment of Strate's Strategic Business and Transformation imperatives. In executing its transformation strategy, Strate remains focused on providing clearing, settlement and depository services while ensuring good corporate governance and citizenship.

I would like to thank the fellow Committee members and management for their ongoing support and dedication to ensuring meaningful transformation within Strate.



R Ndlovu
Chairperson, Transformation Committee
Independent Board member

Strate Limited

Value added statement

	Notes	2008 R'000	2007 R'000
Revenue		**259 698**	234 313
Other income		**1 604**	2 291
Paid to suppliers for services rendered		**(75 823)**	(60 850)
Value added		**185 479**	175 754
Loss on sale of fixed assets		**5**	82
Finance income		**10 595**	10 200
Total wealth created		**196 079**	186 036
Wealth Distribution:			
Salaries and other benefits	1	**72 118**	54 397
Finance expenses		**9**	3
Government	2	**34 458**	36 398
Reinvested to maintain and develop operations		**176 929**	116 974
Depreciation		**11 944**	13 035
Retained earnings/(loss)		**167 216**	104 155
Deferred tax release		**(2 231)**	(216)
Value added ratios:			
Number of employees (31 December)		**117**	117
Revenue per employee (R'000)		**2 220**	2 003
Wealth created per employee (R'000)		**1 676**	1 590

NOTES

All amounts are paid in accordance with agreed terms.

1. Salaries and other benefits:		
Personnel remuneration	**66 288**	49 157
Employee Contributions to defined contribution plan	**1 663**	1 792
Executive directors' emoluments	**4 167**	3 448
	72 118	54 397
2. Central and local government:		
Taxation	**33 870**	35 955
Skills development levy (SDL)	**588**	443
	34 458	36 398

Strate Limited

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 31 December 2008, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal financial control. The Board has ultimate responsibility for the system of internal controls and reviews the effectiveness of its operation.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the company's policies and procedures. These controls are implemented by trained, skilled personnel with clearly defined lines of accountability and an appropriate segregation of duties. The controls are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The annual financial statements are prepared in accordance with International Financial Reporting Standards, and incorporate responsible disclosure in line with the accounting philosophy of the company. The financial statements are based on appropriate accounting policies, consistently applied, except as otherwise stated, and supported by reasonable and prudent judgements and estimates.

The directors believe that the company will be a going concern in the year ahead as set out in the directors' report. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Group financial statements

Group annual financial statements for Strate Limited and its subsidiary company, CD Nominees (Proprietary) Limited have not been presented on a consolidated basis, on the basis that the consolidation will have no material effect on the financial position, performance and cash flows of the group.

Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 31 March 2009 and are signed on its behalf by:

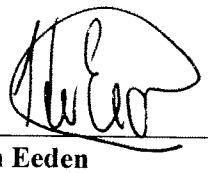
ME King
Chairman

MJ Singer Saul
Chief Executive Officer

Strate Limited

Declaration by the company secretary

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2008, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



H van Eeden

Report of the Independent Auditors

To the members of Strate Limited

We have audited the annual financial statements of Strate Limited, which comprise the balance sheet at 31 December 2008, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 40 to 73.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Strate Limited at 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Per R Warren-Tangney
Chartered Accountant (SA)
Registered Auditor
Director
31 March 2009

Strate Limited

Directors' report

for the year ended 31 December 2008

The directors have pleasure in presenting their report for the year ended 31 December 2008.

Principal activities

Strate's activities for the year under review include clearing and settlement of trades in securities listed on the JSE Limited ("JSE") and clearing and settlement of trades in securities listed on the Bond Exchange of South Africa Limited ("BESA").

Strate is also a licensed Central Securities Depository ("CSD") in terms of the licence that was granted by the Financial Services Board ("FSB"). In terms of the licence, Strate assumes additional responsibilities in terms of the CSD Rules and the Securities Services Act ("SSA"). These include:

- the responsibility for the regulation of the business activities of the Equity and Bond participants; and
- the responsibility of the Board to be the controlling body of the CSD in addition to the Board's normal fiduciary duties.

Operating results

During the year ended 31 December 2008, profit from operations decreased by 5% to a profit of R102,5 million (2007 – R108,0 million).

Record trading volumes, mainly in the equities market, saw revenues increase by 11% to R259,7 million (2007 – R234,3 million). The effect of the increase in revenue was however reduced by the 23% increase in operating expenditure.

Operating expenditure increased to R158,8 million (2007 – R128,6 million), mainly as result of:

- staff costs, as the company revised its remuneration policy by implementing a market related short term bonus scheme as well as a long term incentive scheme for key personnel; and
- information technology cost, which is attributable to capacity utilisation increased as increased volumes were processed, additional software acquired for monitoring and supporting the various applications and vendor fee escalation.

We are pleased to report that Strate's systems and applications, as well as those of the participants and exchanges, coped very well with the impacts of the financial crisis that was experienced since mid September 2008.

The contributions of the various segments to profit from operations were as follows:

	2008 R'000	2007 R'000
Equities profit	**106 525**	108 670
Bonds profit	**5 794**	6 654
MM loss	**(9 847)**	(7 299)
Profit from operations	**102 472**	108 025

The live date of the MM application is estimated to be the third quarter of 2009.

Directors' report

for the year ended 31 December 2008 (continued)

Share capital

The company did not issue any shares during the year under review.

Details of the company's authorised and issued share capital appear in notes 13 and 14 to the annual financial statements.

Ownership

The shareholders of Strate Limited and their percentage holdings at the date of this report, are as follows:

	Current %	2007 %
JSE Limited	**44,547**	44,547
Absa Bank Limited	**12,679**	12,679
Citibank N.A.	**0,103**	0,103
FirstRand Bank Limited	**12,679**	12,679
Nedbank Limited	**14,996**	14,996
The Standard Bank of South Africa Limited	**14,996**	14,996
	100,000	100,000

Dividends

The company declared and paid an ordinary dividend of R1 686 per share during the financial year, which was based on a conservative dividend policy of 5 times cover.

The dividend policy has subsequently been reviewed and a market related dividend policy of 2 times cover has been adopted. In term of the revised dividend policy, an ordinary dividend of R4 075 per share is proposed to be paid by 30 April 2009.

Directors

The directors of Strate Limited at the date of this report are set out in the Corporate Governance report on page 10. The following appointments and resignations have taken place since the previous annual report:

Directors' appointments

MJ Stocks	(Non-executive)	(appointed 9 April 2008)
RJG Barrow	(Independent Non-executive)	(appointed 1 January 2009)

Directors' report

for the year ended 31 December 2008 (continued)

Company secretary and registered office

The company secretary at the date of this report is H van Eeden.

Business address

9 Fricker Road
Illovo Boulevard, Illovo
Sandton
2146

Postal address

PO Box 78608
Sandton
2146

Strate Limited, registration number 1998/022242/06 is incorporated and domiciled in South Africa.

Contracts

No contracts in which directors and officers had an interest and that significantly affected the affairs or business of the company were entered into during the year.

Basis of presentation of financial information

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The accounting policies applied are consistent with those applied in the previous year.

Going concern

The directors believe that the company has adequate resources to continue as a going concern in the foreseeable future.

Auditors

KPMG Inc to continue in office as the auditors of Strate Limited.

Post-balance sheet events

No other material events occurred after the balance sheet date that would require adjustment or disclosure in the annual financial statements.

CSD Participants

The CSD participants at 31 December 2008 are:

Absa Bank Limited
Computershare Limited
FirstRand Bank Limited
Nedbank Limited
Société Générale, Johannesburg Branch
The Standard Bank of South Africa Limited
The South African Reserve Bank

KPMG Inc

Strate Limited

Income statement

for the year ended 31 December 2008

	Note	2008 R'000	2007 R'000
Revenue	*4*	**259 698**	234 313
Other income		**1 604**	2 291
Total income		**261 302**	236 604
Operating expenditure		**(158 830)**	(128 579)
Personnel expenses	*5*	**(66 288)**	(50 949)
IT expenditure	*5*	**(30 323)**	(22 889)
Consulting fees		**(23 586)**	(21 716)
Depreciation and amortisation expense	*5*	**(11 944)**	(13 035)
Impairment charge		**(85)**	-
Other operating expenditure		**(26 604)**	(19 990)
Profit from operations		**102 472**	108 025
Finance income		**10 595**	10 200
Finance expenses		**(9)**	(3)
Profit before taxation		**113 058**	118 222
Taxation	*6*	**(33 548)**	(35 955)
Profit attributable to ordinary shareholders		**79 510**	82 267
Basic and diluted earnings per share (Rands)	*7*	**8 150**	8 432

Strate Limited

Balance sheet
at 31 December 2008

	Note	2008 R'000	2007 R'000
Assets			
Non-current assets			
Fixed Assets	*9*	**62 401**	49 324
Current assets		**148 300**	92 284
Current tax assets		**–**	117
Trade and other receivables	*10*	**29 342**	26 416
Cash and cash equivalents	*11*	**118 958**	65 751
Total assets		**210 701**	141 608
Equity and liabilities			
Equity		**187 266**	124 205
Ordinary and preference share capital	*13*	**10**	10
Share premium	*14*	**19 990**	19 990
Capital redemption reserve fund		**50**	50
Retained earnings		**167 216**	104 155
Non-current liabilities		**2 519**	6 021
Deferred taxation	*12*	**2 519**	4 750
Employee benefits	*21*	**–**	1 271
Current liabilities		**20 916**	11 382
Current tax liabilities		**1 792**	–
Trade and other payables	*15*	**10 882**	10 715
Employee benefits	*21*	**8 242**	667
Total equity and liabilities		**210 701**	141 608

KPMG Inc

Statement of changes in equity

for the year ended 31 December 2008

	Share capital R'000	Share premium R'000	Capital redemption reserve fund R'000	Retained earnings/(loss) R'000	Total R'000
Balance at 1 January 2007	10	94 990	50	35 254	130 304
Redemption of preference shares	–	(75 000)	–	–	(75 000)
Dividends paid	–	–	–	(13 366)	(13 366)
Profit attributable to ordinary shareholders	–	–	–	82 267	82 267
Balance at 31 December 2007	10	19 990	50	104 155	124 205
Balance at 1 January 2008	**10**	**19 990**	**50**	**104 155**	**124 205**
Dividends paid	–	–	–	**(16 449)**	**(16 449)**
Profit attributable to ordinary shareholders	–	–	–	**79 510**	**79 510**
Balance at 31 December 2008	**10**	**19 990**	**50**	**167 216**	**187 266**

Cash flow statement

for the year ended 31 December 2008

	Note	2008 R'000	2007 R'000
Cash flows from operating activities			
Cash generated by operations	*17.1*	**117 767**	118 182
Finance income	*17.2*	**10 794**	10 188
Finance expenses		**(9)**	(3)
Taxation paid	*17.3*	**(33 870)**	(60 403)
Dividends paid		**(16 449)**	(13 366)
Net cash inflow from operating activities		**78 233**	54 598
Cash flows from investing activities			
Investment in fixed assets	*9*	**(25 029)**	(19 199)
Investment to maintain operations		**(12 811)**	(8 296)
Investments to expand operations		**(12 218)**	(10 903)
Proceeds on disposal of fixed assets		**3**	34
Net cash outflow from investing activities		**(25 026)**	(19 165)
Cash flows from financing activities			
Repayment of share premium		**–**	(75 000)
Net cash outflow from financing activities		**–**	(75 000)
Net increase/(decrease) in cash and cash equivalents		**53 207**	(39 567)
Cash and cash equivalents at beginning of the year	*11*	**65 751**	105 318
Cash and cash equivalents at the end of the year		**118 958**	65 751

Notes to the financial statements

for the year ended 31 December 2008

1. Reporting entity

Strate Limited is a company domiciled in South Africa. The address of the company's registered office is:
1st floor, 9 Fricker Road,
Illovo Boulevard
Illovo, Sandton
2196

The company is primarily involved in providing clearing, settlement and depository services for securities.

2 Basis of preparation

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the South African Companies Act of 1973.

The financial statements were approved by the Board of the Directors on 31 March 2009.

2.2 Basis of measurement and presentation

The financial statements have been prepared on the historical cost basis, except for the items stated at fair value as described below in the notes. The financial statements are presented in Rand, which is the company's functional currency, rounded to the nearest thousand.

2.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 3.3 and 9 – Equipment
Note 3.4 and 9 – Impairment

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3 Significant accounting policies

The accounting policies, set out below, have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in currencies other than the entity's functional currency are recognised at the rate of exchange ruling on the date of the transactions. Monetary assets and liabilities denominated in such currencies are translated to the entity's functional currency at the rates ruling at balance sheet date.

Gains or losses arising on exchange differences are recognised in the income statement.

3.2 Financial instruments

3.2.1 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Measurement

Financial instruments are initially measured at fair value, which includes directly attributable transaction costs, except for instruments carried at fair value through profit and loss. Subsequent to initial recognition these instruments are measured as set out below:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are measured at amortised cost using the effective rate.

Trade and other receivables

Trade and other receivables are stated at amortised cost, using the effective interest method, less impairment losses.

Trade and other payables

Trade and other payables are stated at amortised cost, using the effective interest method.

3.2.2 Share capital

Ordinary share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as a liability in the period in which they are declared.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3 Significant accounting policies *(continued)*

3.3 Fixed Assets

Recognition and measurement

Fixed Assets comprises furniture, computer equipment, computer software and motor vehicles and is stated at cost less accumulated depreciation and amortisation and accumulated impairment losses (refer to accounting policy 3.5.2). Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an item of software is considered integral to the functionality of the related hardware, it is capitalised as part of fixed assets and computer software.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the assets to reduce the value of the assets to their residual values.

The estimated useful lives are as follows:

Furniture	5 – 6 years	(2007 : 5 – 6 years)
Motor vehicles	5 years	(2007 : 5 years)
Computer equipment	3 – 7 years	(2007 : 3 – 7 years)
Computer software	2 – 10 years	(2007 : 2 – 5 years)

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains/(losses) on the disposal of fixed assets are credited/(charged) to the income statement.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan for the production of new or substantially improved products and processes, is capitalised if the development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the company intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads and costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the income statement as an expense as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of the intangible assets.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Notes to the financial statements
for the year ended 31 December 2008 (continued)

3 Significant accounting policies *(continued)*

3.3 Equipment *(continued)*

Recognition and measurement *(continued)*

Subsequent expenditure
Subsequent expenditure relating to an asset is capitalised when it is probable that future economic benefits from the asset will be realised and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

3.4 Impairment

3.4.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in the income statement.

Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

3.4.2 Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For capitalised development expenditure that is not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3 Significant accounting policies *(continued)*

3.4 Impairment *(continued)*

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Employee benefits

3.5.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.5.2 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.5.3 Long-term employee benefits

The company's net obligation in respect of long-term obligation other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the value of any related assets is deducted.

The discount rate is the yield at the reporting date of listed corporate bonds, adjusted for company specific circumstances, that have maturity dates approximating the terms of the company's obligation. The present value of the amount payable to employees in respect of the long term incentive scheme, which will be settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the carrying value of the liability is recognised as a personnel expense in the income statement.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3 Significant accounting policies *(continued)*

3.6 Revenue

Revenue, comprising members fees, settlement charges, non settlement charges i.e. queries, contract note fees, corporate action charges, front and licence fees, depository fees, issuer fees, data sales host-to-host and SWIFT bureau charges and connectivity fees is recognised in the financial year in which the related service is performed. All revenue is reflected excluding Value Added Taxation.

3.7 Lease payments

Leases where the lessor retains substantially all the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases recognised in income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.8 Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3 Significant accounting policies *(continued)*

3.9 Income tax

Income taxation on the income statement for the year comprises current and deferred tax. Income taxation is recognised in income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognised using the balance sheet method, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.10 Earnings per share

The company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the income statement attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the income statement attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3 Significant accounting policies *(continued)*

3.11 Segmental reporting

A segment is a distinguishable component of a company that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risk and returns that are different from those of other segments. The company's segment report is based on business segments. The business segments are determined based on the company's management and internal reporting structure.

Strate provides electronic settlement systems for equities and bonds and is developing the application to extend the service to Money Market Instruments ("MMI"). On a primary basis, the company is organised across these lines of business. The basis of segment reporting is representative of the internal structure used for management reporting. On a secondary basis, the company operates in one geographic segment, namely South Africa.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or that can be allocated to the segment on a reasonable basis.

Segment assets and liabilities do not include income tax items.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3 Significant accounting policies *(continued)*

3.12 New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations, potentially relevant to the company, that are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these annual financial statements:

IAS 19 (AC 116) amendment	*Employee Benefits (December 2004)*
IAS 39 (AC 133) amendment	*Financial Instruments: Recognition and Measurement (June 2005) – Fair value option*
IFRIC 8 (AC 441)	*Scope of IFRS 2 (AC 139)*
IFRIC 10 (AC 443)	*Interim Financial Reporting and Impairment*
IFRS 7 (AC 144)	*Financial Instruments: Disclosures (including amendments to IAS 1 (AC 101), Presentation of Financial Statements: Capital Disclosures)*
Various	*Improvements to IFRS (excluding IFRS 5 amendment)*
IFRS 8 (AC 145)	*Operating Segments*
IAS 1 (AC 101)	*Presentation of Financial Statements*
IFRIC 15 (AC 448)	*Agreements for the Construction of Real Estate*
IFRS 3 (AC 140)	*Business Combinations*
IAS 27 (AC 132) amendment	*Consolidated and Separate Financial Statements*

Notes to the financial statements

for the year ended 31 December 2008 (continued)

		2008 R'000	2007 R'000
4.	**Revenue**		
	Revenue consists of the following:		
	Settlement and non-settlement charges	**113 783**	102 030
	Ad valorem fees	**102 613**	92 837
	Issuers fees	**12 604**	10 606
	Depository fees	**7 978**	7 429
	Connectivity fees	**4 700**	5 219
	Corporate action charges	**7 638**	6 219
	Wide Are Network and SWIFT charges	**4 165**	4 007
	Front end licence and membership fees	**2 707**	2 794
	Data sales	**3 510**	3 172
		259 698	234 313
5.	**Operating expenditure** is arrived at after taking into account:		
	Personnel expenses	**66 288**	50 949
	– salaries	**42 706**	39 652
	– contributions to defined contributions plans *(refer note 21)*	**1 663**	1 792
	– increase in liability for leave pay accrual	**693**	829
	– expense related to long-term incentive scheme *(refer note 21)*	**6 673**	1 271
	– short-term incentive scheme *(refer note 21)**	**14 553**	7 405
	*A portion of the Ex-Gratia incentive, amounting to R 2 527 074, which is included in the short-term incentive scheme costs, is only payable in the following year.		
	IT expenditure	**30 323**	22 889
	IT expenditure includes expenditure in respect of Hardware and software maintenance, Communication costs (SWIFT and Wide Area Network) as well as the Local Area Network.		
	Depreciation (refer note 9)	**11 944**	13 035
	– furniture and fittings	**147**	98
	– computer equipment	**5 500**	4 430
	– software in use	**6 297**	8 507
	Other operating expenditure include:		
	Directors' emoluments (refer note 22)	**5 743**	4 564
	– fees for services as directors	**1 480**	1 324
	– fees for consulting services	**96**	94
	– salaries of executive directors	**1 996**	1 799
	– long term incentive scheme	**445**	–
	– short term incentive scheme	**1 726**	1 347

Notes to the financial statements
for the year ended 31 December 2008 (continued)

		2008 R'000	2007 R'000
5.	**Operating expenditure** *(continued)*		
	Operating lease payments	**3 706**	2 714
	– property rentals	**3 474**	2 588
	– equipment	**232**	126
	Auditor's remuneration	**675**	556
	– external audit fee	**675**	556
	– other services	**–**	–
	Foreign exchange loss	**246**	78
	Legal fees	**240**	90
	Claims paid	**25**	35
6.	**Taxation**		
	Current taxation	**33 723**	34 500
	Deferred taxation	**(2 231)**	(216)
	Secondary tax on companies (STC)	**2 056**	1 671
		33 548	35 955

Tax rate reconciliation	**2008** %	**2008** R'000	2007 %	2007 R'000
Profit before taxation		**113 058**		118 222
Standard rate of South African normal taxation	**28,00***	**31 656**	29,00	34 284
Taxation effect of:				
Tax rate adjustment	**(0,14)**	**(164)**	–	–
Secondary tax on companies (STC)	**1,81**	**2 056**	1,41	1 671
Current year's charge as a percentage of profit before taxation	**29,67**	**33 548**	30,41	35 955

* The statutory taxation rate was decreased to 28%, from 29% in the prior year which is in accordance with tax legislation.

		2008 R'000	2007 R'000
7.	**Basic and diluted earnings per share**		
	Profit attributable to ordinary shareholders	**79 510**	82 267
	Weighted average number of ordinary shares	**9 756**	9 756
	Basic and diluted earnings per share (Rands)	**8 150**	8 432

Notes to the financial statements

for the year ended 31 December 2008 (continued)

		2008 R'000	2007 R'000
8.	**Headline earnings reconciliation**		
	Profit attributable to ordinary shareholders	**79 510**	82 267
	Headline earnings	**79 510**	82 267
	Weighted average number of ordinary shares	**9 756**	9 756
	Headline earnings per share (Rands)	**8 150**	8 432

9. Fixed Assets

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Software in use R'000	Software under development R'000	Total R'000
Cost						
Balance at 1 January 2007	26 354	1 297	90	120 327	12 677	160 745
Additions	5 829	292	–	4 782	8 296	19 199
Disposals	(2 775)	(7)	–	–	–	(2 782)
Balance at 31 December 2007	29 408	1 582	90	125 109	20 973	177 162
Balance at 1 January 2008	**29 408**	**1 582**	**90**	**125 109**	**20 973**	**177 162**
Additions	**9 494**	**162**	–	**3 155**	**12 218**	**25 029**
Disposals	**(63)**	–	–	–	–	**(63)**
Balance at 31 December 2008	**38 839**	**1 744**	**90**	**128 264**	**33 191**	**202 128**

Notes to the financial statements
for the year ended 31 December 2008 (continued)

9. Fixed Assets *(continued)*

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Software - in use R'000	Software - under development R'000	Total R'000
Accumulated depreciation/ amortisation and impairment losses						
Balance at 1 January 2007	(11 957)	(922)	(37)	(91 876)	(12 677)	(117 469)
Depreciation / amortisation charge for the year	(4 430)	(98)	–	(8 507)	–	(13 035)
Disposals	2 660	6	–	–	–	2 666
Balance at 31 December 2007	(13 727)	(1 014)	(37)	(100 383)	(12 677)	(127 838)
Balance at 1 January 2008	**(13 727)**	**(1 014)**	**(37)**	**(100 383)**	**(12 677)**	**(127 838)**
Depreciation/ amortisation charge for the year	**(5 500)**	**(147)**	–	**(6 297)**	–	**(11 944)**
Disposals	**55**	–	–	–	–	**55**
Balance at 31 December 2008	**(19 172)**	**(1 161)**	**(37)**	**(106 680)**	**(12 677)**	**(139 727)**
Carrying value						
At 1 January 2007	14 397	375	53	28 451	–	43 267
At 31 December 2007	15 681	568	53	24 726	8 296	49 324
At 1 January 2008	**15 681**	**568**	**53**	**24 726**	**8 296**	**49 324**
At 31 December 2008	**19 667**	**583**	**53**	**21 584**	**20 514**	**62 401**

Notes to the financial statements

for the year ended 31 December 2008 (continued)

10. Trade and other receivables

	2008 R'000	2007 R'000
Trade receivables - related parties	**18 419**	15 944
Trade receivables - other customers	**7 267**	7 847
Other receivables	**1 224**	265
Rebates on Securities Lending and Borrowing fees	**(163)**	(493)
Allowance for impairment losses	**(314)**	(229)
Trade receivables	**26 433**	23 334
Prepayments	**2 909**	2 883
Finance income receivable	**–**	199
	29 342	26 416

11. Cash and cash equivalents

Cash on deposit and bank balances comprise:		
Current account	**17 290**	6 268
Call deposits	**100 657**	59 483
Money market Securities	**1 011**	–
	118 958	65 751

Finance income of R10,6 million (2007 – R10,2 million) was earned on bank deposits. The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.

12. Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000	**2008 R'000**	2007 R'000
Accruals	93	444		–	93	444
Operating lease	16	73		–	16	73
Employee benefits	2 308	649		–	2 308	649
Fixed Assets	1 354	1 403	**(6 338)**	**(7 157)**	**(4 984)**	(5 754)
Income received in advance	48	49		–	48	49
Prepayments		–	**(815)**	**(836)**	**(815)**	(836)
Allowance for impairment losses	66	50		–	66	50
Leave pay accrual	749	575		–	749	575
	4 634	3 243	**(7 153)**	**(7 993)**	**(2 519)**	(4 750)

Notes to the financial statements

for the year ended 31 December 2008 (continued)

12. Deferred taxation *(continued)*

Movement in temporary differences during the year are attributable to the following:

	Balance at 1 January 2007 R'000	Recognised in income statement in 2007 R'000	Balance at 31 December 2007 R'000	Recognised in income statement in 2008 R'000	**Balance 31 December 2008 R'000**
Accruals	292	152	444	(351)	**93**
Operating lease asset	179	(106)	73	(57)	**16**
Employee benefits	230	419	649	1 659	**2 308**
Fixed Assets	(6 800)	1 046	(5 754)	770	**(4 984)**
Income received in advance	851	(802)	49	(1)	**48**
Prepayments	(223)	(613)	(836)	21	**(815)**
Allowance for impairment losses	50	–	50	16	**66**
Provision for leave pay	455	120	575	174	**749**
	(4 966)	216	(4 750)	2 231	**(2 519)**

13. Share capital

	2008 R'000	2007 R'000
Authorised		
10 000 ordinary shares of R1 each	**10**	10
Issued		
9 756 ordinary shares (2007 : 9 756) of R1 each	**10**	10

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

14. Share premium

	19 990	94 990
Opening balance		
Share premium repaid	–	(75 000)
Opening balance	**19 990**	19 990
Total share premium	**19 990**	19 990

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	2008 R'000	2007 R'000
15. Trade and other payables		
Trade payables - related parties	**30**	81
Trade payables - other suppliers	**10 349**	6 476
Accrued expenses	**333**	3 988
Trade payables	**10 712**	10 545
Deferred income	**170**	170
	10 882	10 715

The company's exposure to liquidity risk related to trade and other payables is disclosed in note 16.

16. Financial instruments

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included through these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit and Risk Committee, which is a sub-committee of the board, has as part of its Term of Reference the responsibility to monitor risk management in the company.

The Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

The company, through training and managing standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The company's risk management policies are established to identify and analyse the risk faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

16. Financial instruments *(continued)*

16.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Trade and other receivables
The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. More than 90% of the company's revenue is attributable to transactions with our Participants and the JSE. The outstanding balances are disclosed in note 18.

No material changes have taken place in respect of our client base as the company has been servicing the same customers since its inception. Unrecoverable amounts have been limited and were mainly attributable to services provided to Issuers.

The need for our services is supported by the Securities Services Act ("The SSA") as we are the only company that is licenced to act as a CSD at present.

Cash and cash equivalents
The company has an Investment policy which provides guidelines in respect of the day-to-day administration of cash within the company. The primary objective of the policy is to preserve capital. The policy also deals with permitted investment types and service providers as well as limits of funds to be placed with service providers.

The company's maximum exposure to credit risk at the reporting date was:

	2008 R'000	2007 R'000
Trade and other receivables, excluding prepayments	**26 433**	23 533
Cash and cash equivalents	**118 957**	65 751
	145 390	89 284

The ageing of trade receivables at the reporting date was:

	2008		2007	
	Gross R'000	**Impairment R'000**	Gross R'000	Impairment R'000
Not past due	**23 093**	**13**	21 932	27
Passed due 0-30 days	**761**	**3**	874	3
Passed due 31- 90 days	**213**	**15**	16	5
Passed due 91 days and over	**1 619**	**283**	969	194
	25 686	**314**	23 791	229

Notes to the financial statements

for the year ended 31 December 2008 (continued)

16. Financial instruments *(continued)*

16.1 Credit risk

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008 R'000	2007 R'000
Balance as at 1 January	**229**	229
Impairment loss recognised	**85**	–
Balance as at 31 December	**314**	229

The Company believes that the impairment allowance is adequate. The allowance for impairment is based on specific customer circumstances and is not a general allowance. Specific allowances were made in respect of listed companies that were delisted or suspended from the JSE or where other reasons exist that raise doubt in respect of recoverability. The company is confident that all customer balances, besides those specifically included in the allowance, are recoverable.

The trade receivables are monitored and reviewed monthly. Problematic balances are identified, reported to management and followed up on.

16.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company has determined a minimum level of cash flow in order to ensure its ongoing operations. The level is currently set at R 80 million, previously R65 million, and represents approximately six months of the present cash operating expenditure. The level is assessed on an ongoing basis to ensure that the adequate level of cash flow is maintained give the nature of the company.

The company does not have any debt that needs to be serviced.

The following table analyses the terms of the contractual maturities of non-derivative financial instruments existing at the reporting date:

2008	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Carrying amount R'000
Non-derivative financial assets	**145 390**	–	–	**145 390**
Trade and other receivables, excluding prepayments	**26 433**	–	–	**26 433**
Cash and cash equivalents	**118 957**	–	–	**118 957**
Non-derivative financial liabilities				
Trade and other payables, excluding deferred income	**(10 712)**	–	–	**(10 712)**
Net exposure	**134 678**	–	–	**134 678**

Notes to the financial statements

for the year ended 31 December 2008 (continued)

16. Financial instruments *(continued)*

16.2 Liquidity risk *(continued)*

2007	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Carrying amount R'000
Non-derivative financial assets	89 284	–	–	89 284
Trade and other receivables, excluding prepayments	23 533	–	–	23 533
Cash and cash equivalents	65 751	–	–	65 751
Non-derivative financial liabilities				
Trade and other payables, excluding deferred income	(10 545)	–	–	(10 545)
Net exposure	78 739	–	–	78 739

16.3 Interest rate risk

Interest rate risk is the effect of a company's exposure to the effect of future changes in the prevailing level of interest rates.

Strate currently has no material exposure to interest rate risk on its liabilities.

Interest receivable is received on a floating rate basis. Funds are invested in permitted investments and with services providers in accordance with the Investment policy guidelines. The majority of our funds are on call.

The interest rate risk profile for non-derivative financial assets at year end is as follows:

	Fixed rate R'000	Floating rate R'000	Total R'000
2008			
Non-derivative financial assets			
Cash and cash equivalents	–	**118 957**	**118 957**
2007			
Non-derivative financial assets			
Cash and cash equivalents	–	65 751	65 751

Notes to the financial statements

for the year ended 31 December 2008 (continued)

16. Financial instruments *(continued)*

16.3 Interest rate risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the profit by the amounts shown below. The analysis assumes that all other variables remain constant.

	100 bp increase R'000	100 bp decrease R'000
2008		
Variable rate instruments	**1 033**	**(1 048)**
Cash flow sensitivity	**1 033**	**(1 048)**
2007		
Variable rate instruments	926	(1 299)
Cash flow sensitivity	926	(1 299)

16.4 Capital management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business.

To be financially self sufficient and to provide the shareholders with a fair return is one of the company's key objectives.

The current capital structure only consists of equity. The company is satisfied with the current structure and therefore do not plan on raising any debt.

Management believe that the current capital structure is adequate to support the company's operations and that it is within the company's means to provide the shareholders with a fair return on their capital.

The company is not subject to externally imposed capital requirements.

The SSA limits CSD Participants shareholding in Strate to a maximum of 15% per person.

16.5 Fair value

The carrying values of all non-derivative financial instruments approximate fair value, due to the short-term nature of these financial instruments.

Notes to the financial statements
for the year ended 31 December 2008 (continued)

		2008 R'000	2007 R'000
17.	**Notes to the cash flow statement**		
17.1	Cash generated by operations		
	Profit before taxation	**113 058**	118 222
	Adjustments:		
	– depreciation/amortisation	**11 944**	13 035
	– loss on sale of equipment	**5**	82
	– finance income	**(10 595)**	(10 200)
	– finance expenses	**9**	3
	Operating profit before working capital changes	**114 421**	121 142
	Increase in trade and other receivables	**(3 125)**	(2 294)
	Increase/(decrease) in trade and other payables	**6 471**	(666)
		117 767	118 182
17.2	Finance income received		
	Receivable at the beginning of the year	**199**	187
	Per income statement	**10 595**	10 200
	Receivable at end of year	**–**	(199)
		10 794	10 188
17.3	Taxation paid		
	(Receivable)/Payable at beginning of year	**(117)**	24 115
	Current taxation and STC charge	**35 779**	36 171
	(Payable)/Receivable at end of year	**(1 792)**	117
		33 870	60 403

Notes to the financial statements

for the year ended 31 December 2008 (continued)

18. Related parties

Shareholders who are CSD participants:

- Absa Bank Limited
- First Rand Bank Limited
- Nedbank Limited
- The Standard Bank of South Africa

Other shareholders:

- JSE Limited

Key management personnel:

Key management personnel include the board of directors and members of executive committees. Key management personnel includes close family members of key personnel members who may be expected to influence or be influenced by that individual in dealing with the company.

Shareholders

	Revenue		Trade receivables	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
JSE Limited	**94 870**	86 756	**8 016**	6 749
The Standard Bank of South Africa Limited	**52 168**	51 865	**4 267**	5 165
FirstRand Bank Limited	**32 508**	26 364	**3 239**	2 576
Nedbank Limited	**17 213**	15 404	**1 653**	1 430
Absa Bank Limited	**14 330**	9 641	**843**	24
Total	**211 089**	190 030	**18 018**	15 944

Key management personnel

Transactions with entities of which MD Higgo (COO until June 2008) was an owner, shareholder or served as a director.

	Operating expenditure		Trade payables	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
MD Higgo entities	**3 279***	8 147	–	71
MD Higgo	**1 114***	2 367	–	–
Other Consultants and Recruitment fees	**2 165***	5 780	–	71

*Includes transactions up to June 2008.

Notes to the financial statements
for the year ended 31 December 2008 (continued)

18. Related parties *(continued)*

Strate has received funding from certain of its shareholders. The terms and conditions of this funding is market related. For further details, refer to notes 13 and 14.

Furthermore, Strate's revenue, as reflected in note 4, is earned principally from the settlement of bonds and equities. In terms of Strate's business model, these services are provided to CSD participants, some of whom are shareholders of the company. The revenue earned from providing these services, as detailed above, is market related.

Transactions with directors – refer to note 22.

19. Investment in Central Depository Nominees (Proprietary) Limited ("CD Nominees")

The company's wholly owned subsidiary, CD Nominees, is used as a vehicle, in whose name debt securities deposited with its holding company, Strate Limited, are registered.

The issued share capital of CD Nominees of R1 is represented by cash of R1.

	2008 R'000	2007 R'000
20. Commitments and contingencies		
Commitments		
20.1 Operating Expenditure		
Maintenance Contract	**9 651**	–
– within one year	**9 651**	–
– greater than a year but less than five years	–	–
Lease payments under non-cancellable operating leases	**25 200**	3 599
– within one year	**4 353**	2 985
– greater than a year but less than five years	**20 847**	614
	34 851	3 599
20.2 Capital expenditure:		
Authorised		
– within one year	**22 998**	9 711

The commitments are to be funded out of working capital.

Contingent liabilities

There are no contingent liabilities that need to be disclosed.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

21. Employee benefits

The company's salary structure is based on the total cost to company principle.

All contributions to the pension scheme and medical aid are included in the salary structure. The company provides retirement benefits for all its permanent employees through defined contribution pension schemes and therefore does not have a liability in terms of retirement benefits.

Members' interests in the schemes are based on the market value of the funds and are adjusted monthly for changes in market value. These schemes are fully funded and are governed by the Pension Funds Act, 1956 as amended.

	2008 R'000	2007 R'000
Short-term Incentive		
Balance of Ex-Gratia bonus	**2 527**	667
Liability for long-term incentive scheme		
Long-term incentive scheme	**5 715**	1 271
	8 242	1 938

Details in respect of the workings of the short-term incentive and long-term incentive scheme are included in the Remuneration Committee report, which forms part of the Corporate Governance report.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

22. Directors' emoluments

		Directors' fees R'000	Consulting fees R'000	Salaries R'000	Bonuses and LTI R'000	Total R'000
2008		**1 480**	**96**	**1 996**	**2 171**	**5 743**
Executive directors						
MJ Singer Saul	Chief Executive Officer			**1 996**	**2 171***	**4 167**
Non-executive directors						
MR Johnston			**96**			
Independent non-executive directors						
ME King	Chairman	**453**				**453**
PL Campher		**83**				**83**
RG Cottrell		**281**				**281**
NG Payne		**214**				**214**
A van der Merwe		**156**				**156**
SV Zilwa		**133**				**133**
RGM Ndlovu		**160**				**160**
2007		1 324	94	1 799	1 347 *	4 564
Executive directors						
MJ Singer Saul	Chief Executive Officer	–	–	1 799	1 347 *	3 146
Non-executive directors						
MR Johnston		–	94	–	–	94
Independent non-executive directors						
ME King	Chairman	340	–	–	–	340
PL Campher		100	–	–	–	100
RG Cottrell		208	–	–	–	208
NG Payne		255	–	–	–	255
HJ Sonn		136	–	–	–	136
A van der Merwe		90	–	–	–	90
SV Zilwa		160	–	–	–	160
RGM Ndlovu		35	–	–	–	35

* – Includes R 445 333 (2007 – R Nil) in respect of the portion of the long-term incentive paid during the year *(refer note 21)* and R Nil (2007 – R299 750) retained in terms of the short term incentive scheme.

Other directors do not receive any form of remuneration other than reimbursements.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

23. Segmental reporting

Strate's revenue streams from providing equity and bond settlement services, and from the second quarter of 2009, money market settlement services are described in note 4 to the financial statements.

On a primary basis, the company is organised operationally into equity, bonds and money market settlement business segments. Strate is a single geographic segment in terms of the segmental reporting accounting standard.

2008	Equity settlement R'000	Bond settlement R'000	MMI settlement R'000	Total R'000
Revenue	**228 910**	**30 788**	–	**259 698**
Other income	**1 534**	**70**	–	**1 604**
Total income	**230 444**	**30 858**	–	**261 302**
Segment result				
Profit/(loss) from operations	**106 525**	**5 794**	**-9 847**	**102 472**
Unallocated items				
Finance income	–	–	–	**10 595**
Finance expenses	–	–	–	**(9)**
Profit before taxation	–	–	–	**113 058**
Taxation	–	–	–	**(33 548)**
Profit attributable to ordinary shareholders				**79 510**
Dividends	–	–	–	**(16 449)**
				63 061
Other information				
Segment assets				
Trade receivables	**26 504**	**2 838**	–	**29 342**
Unallocated assets	–	–	–	**181 359**
Total assets				**210 701**
Segment liabilities				
Unallocated liabilities	–	–	–	**23 435**
Total liabilities				**23 435**
Capital expenditure	–	–	**12 218**	**12 218**
Unallocated capital expenditure	–	–	–	**12 811**
Depreciation and amortisation	**10 750**	**1 194**	–	**11 944**

Notes to the financial statements
for the year ended 31 December 2008 (continued)

23. Segmental reporting *(continued)*

2007	Equity settlement R'000	Bond settlement R'000	MMI settlement R'000	Total R'000
Revenue	205 328	28 985	–	234 313
Other income	2 267	24	–	2 291
Total income	207 595	29 009	–	236 604
Segment result				
Profit/(loss) from operations	108 670	6 654	(7 299)	108 025
Unallocated items				
Finance income	–	–	–	10 200
Finance expenses	–	–	–	(3)
Profit before taxation	–	–	–	118 222
Taxation	–	–	–	(35 955)
Profit attributable to ordinary shareholders				82 267
Dividends	–	–	–	(13 366)
Net income				68 901
Other information				
Segment assets				
Trade receivables	20 912	2 649	–	23 561
Unallocated assets	–	–	–	118 047
Total assets				141 608
Segment liabilities				
Unallocated liabilities	–	–	–	17 403
Total liabilities				17 403
Capital expenditure	–	–	8 296	8 296
Unallocated capital expenditure	–	–	–	10 903
Depreciation and amortisation	11 722	1 313	–	13 035